

PUBLIC DISCLOSURE

August 15, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Hampden Bank
90283**

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**Federal Deposit Insurance Corporation
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NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Agency (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the credit needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Hampden Bank (or the “Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **August 15, 2011**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agencies rate the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

INSTITUTION'S CRA RATING: Outstanding

An institution in this group has an excellent record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following table indicates the performance level of Hampden Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>HAMPDEN BANK</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Satisfactory			
Needs to Improve			
Substantial Noncompliance			

*Note: The lending test is weighted more heavily than the investment and service tests when determining an overall rating.

The following summarizes the major factors supporting this rating.

LENDING TEST

The lending test is rated High Satisfactory based on the following:

- The Bank's lending levels reflect good responsiveness to assessment area credit needs.
- An adequate percentage of residential and small business loans are made in the assessment area.
- The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects good penetration throughout the assessment area.
- The Bank made a relatively high level of community development loans within the assessment area. The Bank originated 6 community development loans totaling \$3.4 million in its assessment area during the evaluation period.
- The Bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs.

INVESTMENT TEST

The investment test is rated Outstanding based on the following:

- Hampden Bank has an excellent level of qualified community development investments and grants, including those that are not routinely provided by private investors, and occasionally in a leadership position. The Bank exhibits excellent responsiveness to credit and community economic development needs. The Bank occasionally uses innovative and/or complex investments to support community development initiatives.

SERVICE TEST

The service test is rated Outstanding based on the following:

- The Bank's services are readily accessible to all portions of the assessment area. The opening of branches improved the accessibility of its delivery systems, particularly in low- and moderate-income census tracts. The Bank's business hours and services do not vary in a way that inconveniences any portions of the assessment area. The Bank is a leader in providing community development services.

PERFORMANCE CONTEXT

Description of Institution

Hampden Bank is a full-service Massachusetts chartered stock savings bank headquartered in Springfield, Massachusetts. The Bank was founded in 1852 as a mutual savings bank, and was converted to stock ownership in 2004. Hampden Bancorp, Inc., a state chartered mutual holding company established in January 2007 and also headquartered in Springfield, Massachusetts, is the sole stockholder of Hampden Bank. The Bank operates the Hampden Bank Charitable Foundation, Inc., to coordinate its charitable giving services. Hampden Financial, a division of Hampden Bank, provides insurance and investment services.

The Bank's main office and corporate headquarters are located at 19 Harrison Avenue in Springfield, Massachusetts. In addition to its main office, the Bank operates three branch offices in Springfield, two branch offices in Longmeadow, and branch offices in Agawam, Indian Orchard (a village of Springfield), West Springfield, and Wilbraham, Massachusetts. The Bank operates automated teller machines (ATMs) at each of its offices. The Bank's offices are all located within Hampden County, and within the Springfield, Massachusetts Metropolitan Statistical Area ("MSA").

At June 30, 2011, the Bank had total assets of \$560.3 million. Assets increased by 8.2 percent since June 30, 2008. Over the same period, the Bank's loan portfolio, which represents approximately 71.0 percent of total assets, increased by 10.3 percent.

The Bank's net loan-to-deposit (LTD) ratio was 95.1 percent at June 30, 2011, based on net loans of \$398.1 million and deposits of \$418.5 million. During the evaluation period, the net LTD ratio has ranged from a low of 93.1 percent (as of March 31, 2011) to a high of 111.7 percent (as of December 31, 2008). The Bank's average net LTD ratio over the 13 quarters since the last evaluation is 101.0 percent. While this ratio is consistent with that of two area banks similar to Hampden Bank in size and composition (average net LTD ratios for these banks were 113.4 percent and 90.6 percent), Hampden Bank's net LTD ratio does not fully reflect the Bank's lending activities since it does not account for loans originated and sold. Between January 1, 2009 and June 30, 2011, Hampden Bank sold 383 loans totaling \$54.3 million to secondary market investors.

Table 1 details the distribution of the Bank's loans by type as of June 30, 2011.

Table 1		
Loan Portfolio at June 30, 2011		
Loan Type	Dollar Amount \$(000's)	Percent of Total Loans
Construction and Land Development	5,265	1.3
1-4 Family Residential	185,083	45.9
Multi-Family (5 or more) Residential	2,527	0.6
Commercial Real Estate	148,924	36.9
Total Real Estate Loans	341,799	84.7
Commercial and Industrial	35,771	8.9
Consumer	26,008	6.4
Farm / Other	0	0.0
Total Loans	403,578	100.0

Source: Report of Condition and Income (Call Report)

As the data in Table 1 shows, the Bank has approximately an equal volume of residential real estate loans and of commercial loans. Commercial lending increased from the previous CRA evaluation. The Bank's efforts to penetrate the area's commercial loan market, as noted during the prior evaluation, resulted in the increased proportion of commercial loans.

The FDIC and the Division last evaluated the Bank's CRA performance on May 6, 2008, and assigned an overall rating of "Outstanding." There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the community's credit needs remains good.

Description of Assessment Area

The CRA requires each financial institution to define assessment area(s) within which its CRA performance will be evaluated. The Bank's assessment area meets the technical requirements of the CRA.

Hampden Bank's assessment area consists of the following eight towns and cities within Hampden County: Agawam, East Longmeadow, Hampden, Longmeadow, Southwick, Springfield, West Springfield, and Wilbraham. All of these town and cities are located in the Springfield, Massachusetts MSA.

Table 2 provides pertinent assessment area demographic information.

Table 2 Demographic Information for the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	53	24.5	17.0	35.9	22.6
Population by Geography	265,337	17.6	18.4	36.1	27.9
Owner-Occupied Housing by Geography	62,194	5.5	13.1	42.9	38.5
Business by Geography (2010 Business Geodemographic Data)	15,394	21.6	16.0	30.0	32.4
Family Distribution by Income Level	67,702	25.1	16.6	20.1	38.2
Distribution of Low and Moderate Income Families throughout AA Geographies	28,253	27.8	23.9	33.6	14.7
HUD Adjusted Median Family Income for 2009	\$67,200	Median Housing Value			\$109,680
HUD Adjusted Median Family Income for 2010	\$67,400	Unemployment Rate (2000)			2.9%
Families Below Poverty Level	12.4%	Households Below Poverty Level			15.2%

Source: 2000 U.S. Census data and 2009 and 2009 and 2010 HUD updated Median Family Income data.

Hampden Bank's assessment area is comprised of 53 census tracts. These tracts include 13 tracts (24.5 percent) that are classified as low-income, 9 tracts (17.0 percent) that are classified as moderate-income, 19 tracts (35.9 percent) that are classified as middle-income, and 12 tracts (22.6 percent) that are classified as upper-income.

Of the assessment area's 22 low- and moderate-income census tracts, all but one is located in Springfield. Springfield's 35 census tracts include 13 low-income tracts and 8 moderate-income tracts. The one additional moderate-income tract in the assessment area is located in West Springfield.

In the past, Springfield was considered the economic center for Western Massachusetts. In recent decades, industries which played key roles in the economic stability of the city migrated to suburban areas or out of state, leaving significant levels of unused commercial property. Portions of Springfield have been designated as federal enterprise communities or empowerment zones. According to the Commonwealth of Massachusetts, Springfield contains 16 census tracts of which at least 20.0 percent of the population is below the poverty level, making it one of the poorest communities in Massachusetts.

Of the 106,759 housing units in the assessment area in the 2000 Census, 58.3 percent were owner-occupied and 36.6 percent were rental units. Regardless of the census tract category in which they are located, low- and moderate-income families represent approximately 25.1 percent and 16.6 percent, respectively, of all families within the Bank's assessment area. Of all the families within the assessment area, 12.4 percent have incomes below the poverty level.

A closer look at the households in the assessment area reveals that the largest portion of households are located in middle-income tracts, at 37.9 percent; followed by 27.0 percent of households located in upper-income tracts. However, households in low-income tracts and moderate-income tracts still make up a significant portion at 17.2 percent and 17.9 percent, respectively. In addition, 15.2 percent of households have income levels below the poverty level, and 5.8 percent of area households receive some form of public assistance. This poverty rate typically indicates families' reduced ability to secure a mortgage loan, thereby potentially reducing a financial institution's ability to penetrate these markets through residential loan products.

According to 2010 Dun & Bradstreet data, 93.2 percent of the businesses within the assessment area that reported gross annual revenue are considered small businesses, with gross annual revenues of \$1.0 million or less. The services sector (49.8 percent of area businesses) and retail trade (14.9 percent of area businesses) represent the largest industries within the assessment area. Further, approximately 67.2 percent of businesses within the assessment area have four or fewer employees. The major sector of employment within the assessment area is the services sector, which consists of 49.8 percent of the employment in the assessment area. Major employers include Baystate Health System, the City of Springfield, and MassMutual Financial Group. Each of these employers is located in Springfield, Massachusetts.

The assessment area in which the Bank operates is highly competitive. In 2009, approximately 223 lenders originated residential mortgage loans in the assessment area, and Hampden Bank ranked third with 276 loans and a 3.9 percent market share. The Bank's competition primarily includes large nationally chartered banks such as Bank of America and Wells Fargo Bank, which ranked first and second, respectively, in 2009.

Community Contacts

Representatives of two organizations, one that is involved with affordable housing and one that provides assistance to small businesses, were contacted during the evaluation. These organizations provided information regarding assessment area credit needs. One of the contacts indicated that the area has a significant volume of foreclosed and abandoned properties. When work is done on these houses so that they can be sold, many potential homebuyers are unable to

buy the homes because of down payment requirements, which prevent many from becoming homeowners. The contact believes banks can assist in the purchase of these properties by offering first time homebuyers the ability to borrow funds for home purchases with a smaller down payment requirement.

The other contact indicated that area businesses have credit needs that are not being met. However, the contact also stated that the types of loans these businesses are seeking may represent a credit risk that financial institutions may not be inclined to take.

Based on a review of the assessment area demographics and economic climate, coupled with information gleaned from community contacts, the primary credit needs of the assessment area includes affordable housing and flexible and innovative lending programs and products for borrowers and small business.

SCOPE OF EXAMINATION

This evaluation was conducted jointly by the FDIC and the Division. While Hampden Bank is eligible for evaluation under Intermediate Small Bank examination procedures given its asset size, as permitted by the CRA, the Bank elected to be evaluated under Large Bank examination procedures. As a result, this evaluation considered the Bank's performance under the Lending, Investment, and Service Tests in accordance with Large Bank evaluation procedures. Unless noted otherwise below, this evaluation considers lending, investment, and service activity from the last evaluation date (May 6, 2008) through the date of this evaluation (August 15, 2011).

A review of Call Report data and discussions with management revealed the Bank is primarily a residential lender. Residential loans, including one- to four-family and multifamily loans, represent 46.5 percent of the Bank's lending portfolio. Commercial lending, including commercial and industrial loans and loans secured by commercial real estate, represents 45.8 percent of the Bank's loan portfolio, and is another significant key to the Bank's lending strategy. Therefore, residential loans and small business loans were included in this analysis. Small farm loans were not considered since the Bank made no small farm loans during the evaluation period. Consumer lending was also excluded from this analysis since it accounts for a minor portion of the Bank's overall lending activity and the Bank does not collect information regarding such activity.

The Lending Test consists of an evaluation of the Bank's residential and small business lending performance. The analysis of residential loans originated inside and outside of the assessment area details the Bank's performance by specific loan purpose (home purchase, refinance, home improvement, and multi-family). The analysis of loans by geographic distribution and by borrower distribution does not include information on the specific loan purpose within the supporting tables. The review of small business loans for this evaluation includes commercial real estate loans and commercial and industrial loans with originations of \$1 million or less.

Unless otherwise noted, this evaluation focuses on and references the number, rather than the total dollar amount, of loans. The reason for this is that one or two larger-dollar loans could minimize the accuracy of dollar volume as a performance indicator. The number of loans also provides a good indicator of the number of families or businesses whose credit needs were met as a result of the Bank's lending activity.

Lending data for 2009, 2010, and the first two quarters of 2011 was used to analyze the Bank's lending performance. Greater emphasis was placed on the 2009 lending performance since this is the latest year for which aggregate lending data is available. Aggregate lending data represents loan originations within the assessment area for all financial institutions, as reported on their Home Mortgage Disclosure ("HMDA") Loan Application Registers ("LARs") and CRA Small Business loan registers. This data is provided for comparison purposes. The Bank's 2010 and year-to-date (YTD) 2011 residential and small business lending performance is referenced in the Lending Test analysis with respect to performance trends.

Information concerning the residential lending was derived from the LARs maintained by the Bank, pursuant to the HMDA. The LARs contain data about home purchase and home improvement loans, including refinancings, of one- to four-family and multifamily (five or more units) properties. Information concerning small business lending was derived from CRA small

business loan registers maintained by the Bank. The registers contain information on commercial real estate and commercial and industrial loans originated with original balances of \$1 million or less.

This evaluation includes an analysis of community development loans, innovative and flexible lending practices and products, qualified investments, and qualified services extended and/or provided from May 6, 2008 through August 15, 2011. In addition, the current market value of any outstanding qualified investments that were made prior to this evaluation period are also considered and referenced.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area by considering the institution's home mortgage, small business, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area(s); (3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); (4) the distribution of loans among borrowers of low-, moderate, middle- and upper-income levels and businesses of different sizes; (5) the distribution of small business loans by loan amount at origination; (6) the volume of community development lending; and (7) the use of innovative or flexible lending practices.

Lending Activity

The Bank's lending levels reflects good responsiveness to assessment area credit needs. During 2009, 2010, and the first two quarters of 2011, Hampden Bank originated 736 residential and small business loans totaling \$111.3 million in its assessment area; a significant amount given the Bank's asset size (\$560.3 million as of June 30, 2011) and deposit base (\$418.5 million as of June 30, 2011).

Residential Lending

Hampden Bank originated 276 HMDA-reportable loans totaling \$42.5 million within the assessment area in 2009. Of the 267 lenders that originated or purchased HMDA-reportable loans within the assessment area in 2009, Hampden Bank ranked sixth among all lenders and first among locally based lenders, with a market share of 3.0 percent. The top two lenders within the assessment area were Bank of America and Wells Fargo Bank, with market shares of 11.8 percent and 5.9 percent, respectively. No other lenders had at least a 4.0 percent market share.

The Bank originated 220 HMDA-reportable loans totaling \$30.3 million within the assessment area in 2010, a decrease of 20.3 percent from its 2009 lending volume. The largest decrease was in refinance loans, which decreased 26.5 percent from 2009 levels. This decline appears due to decreased demand and economic conditions within the market, as opposed to any changes in the Bank's lending strategy. Aggregate data for 2010, which also provides market rank information, is not yet available.

The Bank originated 72 HMDA-reportable loans totaling \$9.5 million within the assessment area during the first two quarters of 2011. Refinance loans made up 51.4 percent of these loans, while home purchase loans were at 36.1 percent and home improvement loans were at 12.5 percent.

Small Business Lending

Hampden Bank originated 89 small business loans totaling \$12.6 million within the assessment area in 2009 and 62 loans totaling \$13.7 million within the assessment area in 2010. The decrease in the number of loans from 2009 to 2010 appears to have resulted due to economic

conditions within the assessment area, as opposed to any changes in the Bank's lending strategy. The dollar amount of small business loans increased in 2010 as a result of a few more loan originations in 2010 for over \$750,000. During the first two quarters of 2011, small business loan originations were 17 loans totaling \$2.7 million.

Lending Inside the Assessment Area

An adequate percentage of loans originated by Hampden Bank during 2009, and 2010, and the first two quarters of 2011 benefited residents and business inside of the Bank's assessment area. Refer to Table 3 for details regarding the distribution of loans inside and outside the assessment area.

Table 3 Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2009										
Residential Lending										
Home Purchase	85	30.6	193	69.4	278	11,531	50.1	11,504	49.9	23,035
Refinance	166	74.1	58	25.9	224	24,721	77.0	7,370	23.0	32,091
Home Improvement	25	52.1	23	47.9	48	6,248	48.8	6,558	51.2	12,806
<i>Multifamily (included within above figures)</i>	1	50.0	1	50.0	2	1,281	68.1	600	31.9	1,881
Subtotal	276	50.2	274	49.8	550	42,500	62.6	25,432	37.4	67,932
Small Business Lending	89	69.5	39	30.5	128	12,568	59.8	8,461	40.2	21,029
Total	365	53.8	313	46.2	678	55,068	61.9	33,893	38.1	88,961
2010										
Residential Lending										
Home Purchase	71	45.5	85	54.5	156	8,919	52.9	7,952	47.1	16,871
Refinance	122	72.6	46	27.4	168	18,445	70.0	7,901	30.0	26,346
Home Improvement	27	65.9	14	34.1	41	2,925	58.0	2,116	42.0	5,041
<i>Multifamily (included within above figures)</i>	0	0.0	0	0.0	0	0	0.0	0	0.0	0
Subtotal	220	60.3	145	39.7	365	30,289	62.8	17,969	37.2	48,258
Small Business Lending	62	68.1	29	31.9	91	13,651	82.0	2,998	18.0	16,649
Total	282	61.8	174	38.2	456	43,940	67.7	20,967	32.3	64,907
2011 (through 6/30/11)										
Residential Lending										
Home Purchase	26	38.2	42	61.8	68	3,286	40.2	4,889	59.8	8,175
Refinance	37	69.8	16	30.2	53	5,577	49.3	5,727	50.7	11,304
Home Improvement	9	81.8	2	18.2	11	669	53.3	586	46.7	1,255
<i>Multifamily (included within above figures)</i>	1	14.3	6	85.7	7	525	10.5	4,472	89.5	4,997
Subtotal	72	54.5	60	45.5	132	9,532	46.0	11,202	54.0	20,734
Small Business Lending	17	58.6	12	41.4	29	2,740	74.6	934	25.4	3,674
Total	89	55.3	72	44.7	161	12,272	50.3	12,136	49.7	24,408
Grand Total	736	56.8	559	43.2	1,295	111,280	62.4	66,996	37.6	178,276

Source: 2009, 2010, and 2011 Bank HMDA and Small Business LAR data.

Residential Lending

In 2009, 50.2 percent of the Bank's residential lending was inside the assessment area. In 2010, the percentage increased to 60.3 percent. YTD 2011, the Bank extended 54.5 percent of its residential loans inside the assessment area. The Bank continues to offer a manufactured housing loan program which contributes to the Bank not having a larger portion of originations within its assessment area. During the evaluation period, 277 of the 559 residential loans originated outside of the assessment area during the evaluation period were manufactured housing loans (49.6 percent). The Bank did not originate any manufactured housing loans within the assessment during the evaluation period as there are limited manufactured homes within the assessment area.

Small Business Lending

69.5 percent of the Bank's small business loans were originated within the assessment area in 2009. The Bank's level of lending within the area decreased to 68.1 percent in 2010. YTD 2011, the Bank extended 58.6 percent of its small business loans within the assessment area. The decrease in the percentage of small business loans originated within the assessment area appears to be the result of competition from other lenders in the area and an economic decline during the evaluation period.

Borrower Characteristics

The distribution of borrowers reflects adequate penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Residential Lending

Refer to Table 4 for the distribution of residential loans extended by the Bank by borrower income level during 2009, compared with the percentage of families within the assessment area by income level and the percentage of aggregate lender loans by borrower income level.

Table 4							
2009 Distribution of Residential Loans by Borrower Income Level							
Income Level	% of Families	Bank Loans		Aggregate Lenders	Bank Loans		Aggregate Lenders
		# of Loans	%	% of #	Dollar Amt. (000's)	%	% by Dollar Amount
Low	25.1	22	8.0	7.1	1,614	3.8	3.9
Moderate	16.6	57	20.7	23.3	6,106	14.4	16.7
Middle	20.1	69	25.0	25.8	8,480	19.9	23.9
Upper	38.2	116	42.0	36.3	23,967	56.4	46.2
NA*		12	4.3	7.5	2,333	5.5	9.3
Totals	100.0	276	100.0	100.0	42,500	100.0	100.0

Source: 2000 US Census data, 2009 Bank HMDA LAR, and 2009 Aggregate Lender HMDA data. *Note: NA represents loans for which borrower income was not reported.

As reflected in Table 4, the Bank originated 8.0 percent of its residential loans to low-income borrowers in 2009. The Bank's performance was above that of the aggregate lenders, which originated 7.1 percent of total loans to low-income borrowers. Although the Bank's performance was below the percentage of low-income families in the assessment area (at 25.1 percent), this is not unexpected given the high poverty rate and significant financial barriers to home ownership for low-income families.

The Bank originated 20.7 percent of its residential loans to moderate-income borrowers in 2009. The Bank's performance was below the aggregate lenders performance, at 23.3 percent. The Bank's moderate-income lending performance exceeded the percent of assessment area families deemed moderate-income (at 16.6 percent).

Hampden Bank ranked third among all lenders and first among locally headquartered institutions in residential lending to low-income borrowers within the assessment area in 2009, with 22 loans and a market share of 4.4 percent. The Bank ranked fourth among all lenders and first among locally headquartered institutions in residential lending to moderate-income borrowers within the assessment area in 2009, with 57 loans and a market share of 3.5 percent.

During 2010, the Bank's lending volume by number to low-income borrowers increased to 8.2 percent, extending 18 loans totaling \$1,140,000. The Bank's lending to moderate-income borrowers increased to 21.8 percent, extending 48 loans totaling \$5,109,000. Aggregate lending data for 2010 is unavailable for comparison.

During the first two quarters of 2011, the Bank's lending volume by number to low-income borrowers dropped to 6.5 percent, with 6 loans totaling \$618,000. The Bank's lending to moderate-income borrowers dropped to 18.1 percent, with 13 loans for \$1,394,000.

Small Business Lending

Table 5 details the Bank's small business loans for 2009 based on the businesses' gross annual revenue compared with the percentage of businesses by gross annual revenue and the percentage of aggregate lenders small business loans by gross annual revenue. Table 6 details the Bank's small business loans for 2010 based on the businesses' gross annual revenue compared with the percentage of businesses by gross annual revenue.

Table 5				
2009 Distribution of Small Business Loans by Gross Annual Revenue (GAR)				
GAR	% of Businesses*	Bank Loans		Aggregate Lenders
		# of Loans	% of #	% of #
<= \$1,000,000	92.9	67	75.3	28.1
> \$1,000,000	7.1	22	24.7	71.9
Totals	100.0	89	100.0	100.0

Source: 2009 Bank Small Business LAR data, 2009 Aggregate Lender CRA data, and 2009 Dun & Bradstreet Business Demographic data. *Note: Business Demographic Data included in this table only includes businesses that reported revenue information.

Table 6			
2010 Distribution of Small Business Loans by Gross Annual Revenue (GAR)			
GAR	% of Businesses*	Bank Loans	
		# of Loans	% of #
<= \$1,000,000	93.2	42	67.7
> \$1,000,000	6.8	20	32.3
Totals	100.0	60	100.0

Source: 2010 Bank Small Business LAR data and 2010 Dun & Bradstreet Business Demographic data. *Note: Business Demographic Data included in this table only includes businesses that reported revenue information.

In both 2009 and 2010, Hampden Bank originated a majority (75.3 percent and 67.7 percent, respectively) of its small business loans to businesses with gross annual revenues of \$1.0 million or less. For both years, the Bank's performance is less than business demographic indicators. In comparison with aggregate data, the Bank's 2009 small business lending to businesses with gross annual revenues of \$1.0 million or less exceeds aggregate lenders (at 28.1 percent).

During the first half of 2011, the Bank originated 63.6 percent of its small business loans to businesses with gross annual revenues of \$1.0 million or less. Aggregate lending data for 2011 is not yet available for comparison.

This evaluation also considered loan size as a further indicator of the Bank's commitment to meeting the credit needs of small businesses, as smaller loans more frequently benefit smaller businesses. Table 7 shows the distribution of small business loans by loan amount.

Table 7								
2009 and 2010 Distribution of Small Business Loans by Loan Amount								
Loan Amount	2009 Bank Loans				2010 Bank Loans			
	# of Loans	% of #	Dollar Amount (000's)	% of \$	# of Loans	% of #	Dollar Amount (000's)	% of \$
\$0.00 to \$100,000	56	62.9	2,231	17.8	26	41.9	1,181	8.7
\$100,001 to \$250,000	16	18.0	2,730	21.7	19	30.7	3,127	22.9
\$250,001 to \$1,000,000	17	19.1	7,607	60.5	17	27.4	9,343	68.4
Totals	89	100.0	12,568	100.0	62	100.0	13,651	100.0

Source: 2009 and 2010 Bank CRA Small Business data

A majority of the Bank's small business loans in 2009 (62.9 percent) were in amounts of \$100,000 or less. In addition, 18.0 percent of small business loans were made in amounts between \$100,001 and \$250,000. In 2010, 41.9 percent of the Bank's small business loans were in amounts of \$100,000 or less. This is a decrease from 2009. 30.7 percent of the Bank's small business loans were in amounts of \$100,001 to \$250,000.

Furthermore, YTD 2011, 50.0 percent of Hampden Bank's small business loans were in amounts of \$100,000 or less, which is an increase from 2010. In addition, 27.3 percent of the Bank's small business loans were made in amounts between \$100,001 and \$250,000. When considering loan amount as a surrogate for business size, the Bank's 2009, 2010, and YTD 2011 data indicates a willingness and ability to serve the credit needs of smaller businesses.

Geographic Distribution of Lending

The geographic distribution of residential and small business loans reflects good penetration throughout the assessment area.

Residential Lending

Refer to Table 8 for the distribution of residential loans extended by the Bank by census tract income level during 2009, compared with the percentage of owner-occupied units within the assessment area by census tract income level and the percentage of aggregate lender loans by census tract income level.

Table 8 2009 Distribution of Residential Loans by Census Tract Income Level							
Income Level	% of Owner-Occupied Units	Bank Loans		Aggregate Lenders	Bank Loans		Aggregate Lenders
		# of Loans	%	% of #	Dollar Amt. (000's)	% of \$	% of \$
Low	5.5	24	8.7	2.7	3,485	8.2	2.1
Moderate	13.1	27	9.8	10.3	2,253	5.3	7.2
Middle	42.9	103	37.3	40.4	12,294	28.9	33.1
Upper	38.5	122	44.2	46.6	24,468	57.6	57.6
Totals	100.0	276	100.0	100.0	42,500	100.0	100.0

Source: 2000 US Census data, 2009 Bank HMDA LAR data, and 2009 Aggregate Lender HMDA data.

As indicated in Table 8, the Bank originated 8.7 percent of its residential loans within low-income tracts in 2009. This was above demographic indicators, as 5.5 percent of the area's owner-occupied units are located within low-income tracts. The Bank's performance was also above that of aggregate lenders, who originated only 2.7 percent of their loans within low-income tracts. At 9.8 percent, the Bank's level of lending within moderate-income tracts was less than demographic indicators, as 13.1 percent of the area's owner-occupied units are located within moderate income tracts. The Bank's moderate-income tracts was slightly less, but generally consistent with the aggregate lenders performance, at 10.3 percent.

The Bank faces significant competition for loans within the assessment area's low- and moderate-income tracts. In 2009, 58 financial institutions originated a total of 211 loans within the area's low-income tracts, and 110 financial institutions originated a total of 729 loans within the moderate-income tracts. Hampden Bank's lending within the low-income tracts ranked second at 11.4 percent among all lenders, with only Bank of America ranking higher. The Bank's lending within the moderate-income tracts ranked fifth among all lenders and first among local institutions with a market share of 3.7 percent.

During 2010, the Bank's lending in low-income tracts decreased to 4.5 percent. This lending level is somewhat less than, but generally consistent with, the demographic data; 5.5 percent of the assessment area's owner-occupied housing units are located in low-income census tracts. The Bank's lending within moderate-income tracts in 2010 decreased slightly to 9.1 percent, which is also less than demographic data, at 13.1 percent. Aggregate lending data for 2010 is unavailable for comparison.

During the first two quarters of 2011, the Bank's lending in low-income tracts decreased to 1.4 percent. However, the Bank's lending within moderate-income tracts during those first two quarters increased to 11.1 percent. Both percentages are less than 2000 Census data for owner-occupied housing units.

Small Business Lending

Table 9 reflects the distribution of the Bank's small business loans by census tract income level during 2009, compared with the percentage of businesses within the assessment area by census tract income level and the percentage of aggregate lender small business lending by census tract income level. Table 10 reflects the distribution of the Bank's small business loans by census tract income level during 2010, compared with the percentage of businesses within the assessment area by census tract income level.

Table 9				
2009 Distribution of Small Business Loans by Census Tract Income Level				
Income Level	% Businesses	Bank Loans		Aggregate Lenders
		# of Loans	% of #	% of #
Low	23.7	23	25.8	17.5
Moderate	16.5	12	13.5	13.0
Middle	29.6	26	29.2	29.9
Upper	30.2	28	31.5	39.6
Totals	100.0	89	100.0	100.0

Source: 2009 Bank CRA Small Business data, 2009 Aggregate Lender CRA data, and 2009 Dun & Bradstreet Business Demographic data.

Table 10			
2010 Distribution of Small Business Loans by Census Tract Income Level			
Income Level	% Businesses	Bank Loans	
		# of Loans	% of #
Low	21.6	15	24.2
Moderate	16.0	6	9.7
Middle	30.0	18	29.0
Upper	32.4	23	37.1
Totals	100.0	62	100.0

Source: 2010 Bank Small Business LAR data and 2010 Dun & Bradstreet Business Demographic data.

During 2009, the Bank originated 25.8 percent of its small business loans within low-income tracts. This performance is generally consistent with the percentage of area businesses located within low-income tracts (at 23.7 percent). The Bank's performance exceeded the aggregate lenders performance, with aggregate lenders originating 17.5 percent of small business loans within the low-income tracts. Further, the Bank originated 13.5 percent of its small business loans within moderate-income tracts in 2009. This performance was somewhat below the 16.5 percent of assessment area businesses located within moderate-income tracts and is consistent with the aggregate lenders performance, at 13.0 percent.

During 2010, Hampden Bank's small business lending within low-income tracts declined slightly to 24.2 percent of its small business lending. The Bank's performance slightly exceeded the demographic data, as 21.6 percent of area businesses are within the low-income tracts. The bank's lending within moderate-income tracts decreased to 9.7 percent of small business lending. This level of lending is less than the 16.0 percent of businesses in moderate-income tracts. Aggregate lending data for 2010 is unavailable for comparison.

During 2011, Hampden Bank's small business lending within low-income tracts increased to 27.3 percent of its small business lending. The bank's lending within moderate-income tracts increased to 18.2 percent of small business lending.

Community Development Loans

During the evaluation period, Hampden Bank made a relatively high level of community development loans. The Bank originated 6 community development loans totaling \$3.4 million in its assessment area during the evaluation period. The Bank's performance is good given the presence of strong competition from large national financial institutions and the responsiveness of its loans to the community development needs of its assessment area. Table 11 details the Bank's community development lending by category and year.

Table 11 Community Development Loans			
Category	Year	Number of Loans	Dollar Amount (000s)
Affordable Housing for Low- and Moderate-Income (LMI) Individuals	05/07/08 – 12/31/08	0	0
	2009	1	1,281,400
	2010	1	738,740
	01/01/11 – 08/15/11	0	0
Total Affordable Housing		2	2,020,140
Community Services Targeted to Low- and Moderate-Income (LMI) Individuals	05/07/08 – 12/31/08	0	0
	2009	2	1,150,000
	2010	2	208,000
	01/01/11 – 08/15/11	0	0
Total LMI Services		4	1,358,000
Activities that Promote Economic Development	05/07/08 – 12/31/08	0	0
	2009	0	0
	2010	0	0
	01/01/11 – 08/15/11	0	0
Total Economic Development		0	0
Revitalize or Stabilize Low- and Moderate-Income (LMI) Geographies	05/07/08 – 12/31/08	0	0
	2009	0	0
	2010	0	0
	01/01/11 – 08/15/11	0	0
Total LMI Revitalization		0	0
GRAND TOTAL		6	3,378,140

Source: Bank community development loan data

The following summarizes each of the Bank's community development loans:

- In 2010, the Bank granted a loan for \$108,000 to a nonprofit mental health facility to acquire and renovate a property within a moderate-income census tract of Springfield. This property provides housing for 14 young women between the ages of 16 and 21 who are in need of mental health services, substance abuse services, and preventive services. A majority of the women in the program are considered low- or moderate-income individuals, as the program focuses on low- and moderate-income individuals in the area.
- In 2010, the Bank granted a loan in the amount of \$100,000 to a nonprofit organization to finance a new sprinkler system for a homeless shelter. The building houses up to 40 men each night for emergency shelter, and it also houses up to 17 men that are part of a transitional living program. The residents are low- to no-income individuals.
- In 2010, the Bank refinanced a \$738,740 loan on six residential properties to house persons with disabilities. This non-profit organization is funded mostly by the state to provide services for low and moderate-income people with disabilities.
- In 2009, the Bank refinanced a \$1,281,400 loan on a 40-unit apartment building located in the North End neighborhood of Springfield. This apartment building is low-income section eight subsidized and is owned by a non-profit organization. The organization works to improve small businesses and affordable and low-income housing and minority employment conditions in Springfield's North End neighborhood. All of the units are considered affordable to low- and moderate-income individuals.

- In 2009, the Bank granted a \$1,000,000 working capital line of credit to a Springfield charter school. Nearly a majority of the students are low-income.
- In 2009, the Bank granted a working capital line of credit for \$150,000 to a social service agency. This organization offers organizational capacity in the areas of community development, advocacy and human service provision from a neighborhood-based perspective. Low- and moderate-income individuals comprise a substantial majority of the recipients of these services.

Innovative and Flexible Loan Products

Hampden Bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs. Detailed below are some of the Bank's qualifying lending activities during the evaluation period.

- Buy Springfield Now program: This is a joint private and public partnership that seeks to promote and preserve homeownership in the City of Springfield. Through this program, potential homebuyers are given the opportunity to purchase a home in Springfield. Features of the program for owner-occupied 1-4 family homes include up to 97 percent loan to value financing (no down payment required in some cases), up to .50 percent toward closing costs on all MassHousing loans (maximum of \$1,000), credit of \$300.00 at closing on all Hampden Bank portfolio loans, and no point programs. During the evaluation period, the Bank originated 67 loans totaling \$7.8 million to low- and moderate-income individuals under this new program.
- First-Time Homebuyer (FTHB) programs: The Bank continues to offer loan products for first-time homebuyers, providing flexible underwriting, reduced fees, and lower rates for the first five years of the loan. Additionally, the Bank offers a FHTB savings account, which encourages homeownership savings by paying a higher interest rate than a traditional savings account. The Bank originated 163 loans totaling \$645 million under this program during the evaluation period.
- Springfield Housing Authority Section 8 Homeownership program: The Bank continues to offer this program to individuals who have participated in the Section 8 Housing Choice Voucher Program. Participants may qualify to purchase a home with their Section 8 assistance, instead of renting. The Bank originated 14 loans totaling \$1.5 million under this program during the evaluation period.
- Massachusetts Housing Finance Agency (MHFA) Septic Repair, Home Improvement, and Get the Lead Out loan programs: The Bank continues to offer these loan programs to customers. The programs offer significantly reduced interest rates, including zero-interest loans for qualifying lower-income borrowers, providing homeowners with a low-cost means for home improvements. During the evaluation period, the Bank originated 11 Septic Repair loans totaling \$155,747, throughout Massachusetts, with a majority originated within the assessment area; 10 Home Improvement loans; and 2 Get the Lead Out loans totaling \$70,000.

- Small Business Banking Professional and Entrepreneurial Overdraft Protection Line of Credit program: The Bank continues to offer this loan product to help small business owners meet their short-term borrowing needs. The line of credit can be approved at each branch, reducing the time required for credit to be made available to the small business borrower. The Bank originated 20 loans totaling \$136,000 under this program during the evaluation period.

INVESTMENT TEST

Hampden Bank has an excellent level of qualified investments, including those that are not routinely provided by private investors, occasionally in a leadership position. The Bank exhibits excellent responsiveness to credit and community economic development needs. The Bank occasionally uses innovative and/or complex investments to support community development initiatives.

The Bank's qualified investments total \$7,145,761 and consist primarily of equity investments in mortgage-backed securities, an Industrial Revenue Bond (IRB), and donations to various community development organizations. This represents an increase from the prior evaluation, when the Bank's investments totaled approximately \$4,688,416.

Investments

The Bank's qualified CRA investments represent 5.4 percent of the Bank's total investments as of June 30, 2011. These investments also represent an increase from the prior evaluation period, when CRA-qualified securities totaled \$4.5 million and represented 3.8 percent of the Bank's total investments.

The Bank invested in four new mortgage-backed securities and an IRB totaling \$5,923,652 during the evaluation period. The book value of these securities as of June 30, 2011 is \$5,027,427.

The mortgage-backed securities, purchased in 2008, 2009, 2010, and 2011, are primarily backed by loans to low- or moderate-income homebuyers, and they were designed to finance community development needs. Approximately 64.4 percent of the underlying loans are to borrowers within the Bank's assessment area. The remaining loans are in western Massachusetts and qualify for CRA consideration as they benefit a broader statewide or regional area that includes the Bank's assessment area. Additionally, four similar mortgage-backed securities purchased by the Bank during the prior examination are still held by the Bank. The book value on these securities as of June 30, 2011 is \$1,353,309.

The \$933,750 IRB is secured by a property in Springfield owned by and housing a social service agency.

Donations

Hampden Bank made 180 qualified donations totaling \$765,025 during the evaluation period, primarily through its charitable foundation. Table 12 details the Bank's community development donations by category and year.

Table 12 Community Development Donations			
Category	Year	Number of Donations	Dollar Amount
Affordable Housing for Low- and Moderate-Income (LMI) Individuals	05/07/08 – 12/31/08	2	10,000
	2009	5	45,000
	2010	1	10,000
	01/01/11 – 08/15/11	3	25,000
Total Affordable Housing		11	90,000
Community Services Targeted to Low- and Moderate-Income (LMI) Individuals	05/07/08 – 12/31/08	0	0
	2009	0	0
	2010	0	0
	01/01/11 – 08/15/11	0	0
Total LMI Services		0	0
Activities that Promote Economic Development	05/07/08 – 12/31/08	32	76,000
	2009	37	202,872
	2010	40	93,500
	01/01/11 – 08/15/11	56	267,653
Total Economic Development		165	640,025
Revitalize or Stabilize Low- and Moderate-Income (LMI) Geographies	05/07/08 – 12/31/08	0	0
	2009	1	10,000
	2010	2	15,000
	01/01/11 – 08/15/11	1	10,000
Total LMI Revitalization		4	35,000
GRAND TOTAL		180	765,025

Source: Bank donations data

The Bank's CRA-qualified donations represent 16.3 percent of the Bank's pre-tax net operating income during the evaluation period, and 61.1 percent of its total donations during the period. Table 13 details the Bank's donations as a percentage of pre-tax net operating income by year.

Table 13 Community Development Donations as Percent of Pre-tax Net Operating Income			
Year	Dollar Amount of Qualified Donations	% of Total Donations	% of Pre-tax Net Operating Income
05/07/08 – 12/31/08	86,000	52.3	10.3
2009	257,872	63.8	Negative Income
2010	118,500	47.5	3.8
01/01/11 – 6/30/11	302,653	69.9	30.8
	765,025	61.1	11.2

Source: Bank donations data and Call Report data.

The Bank's qualified donations increased significantly from the prior evaluation period, when the Bank's qualified donations of \$218,858 represented 29.7 percent of the Bank's pre-tax net operating income.

The following is a sample of the community development organizations benefiting from CRA-qualified donations made by the Bank and its charitable foundation during the evaluation period.

- **Springfield Partners for Community Action** – provides a wide range of services to low- and moderate-income individuals and families, including first-time homebuyer training and assistance, child care services, weatherization for needy homes, and volunteer income tax assistance. The Bank’s donation facilitates federal matching funds to encourage low- and moderate-income families to use Individual Development Accounts (IDAs) to save for future needs such as home ownership and education expenses.
- **Brightside for Families and Children** – helps to build families and support individuals through family outreach and stabilization, psychiatric care, special education, and to offer support and encouragement. The majority of the people served by this organization are low- and moderate-income individuals.
- **Rebuilding Together Springfield** – provides home improvement services through volunteers for low-income homeowners.
- **Greater Springfield Habitat for Humanity** – provides affordable housing services for low- and moderate-income first-time homebuyers.
- **HAP, Inc.** – provides affordable housing services for low- and moderate-income first-time homebuyers, as well as foreclosure prevention assistance programs.

SERVICE TEST

Hampden Bank provides an excellent level of community development services.

Accessibility of Delivery Systems

The Bank’s services are readily accessible to all portions of the assessment area. Table 14 illustrates the distribution of offices and ATMs among the various census tracts of its assessment area. The Bank has an ATM at each office location. There are no remote ATMs.

Table 14						
Distribution of Offices and ATMs by Income Category of the Census Tract						
	Census Tracts by Tract Income Level		Population by Tract Income Level		Bank Offices/ATMs by Tract Income Level	
	#	%	#	%	#	%
Low	13	24.5	46,710	17.6	2	20.0
Moderate	9	17.0	48,821	18.4	2	20.0
Middle	19	35.9	95,762	36.1	2	20.0
Upper	12	22.6	74,044	27.9	4	40.0
Total	53	100.0	265,337	100.0	10	100.0

Source: 2000 US Census data and Bank records

As Table 14 demonstrates, the offices are distributed throughout the assessment area, including among low- and moderate-income census tracts. The Bank operates a main office and nine full-service branch offices. The main office is located in a low-income census tract in downtown Springfield. The branch office located at 1500 Main Street in Springfield is also located in a low-income census tract. The branch located at 187 Main Street in Indian Orchard, a village of Springfield, and the branch located at 977 Boston Road in Springfield, are both in a moderate-income census tract. Two branches are located in middle-income tracts and the remaining four are located in upper-income census tracts.

These branch locations provide accessibility for residents of low- and moderate-income census tracts in the assessment area. Low-income tracts account for 17.6 percent of the assessment area population and 20.0 percent of the Bank's branch locations. Moderate-income tracts account for 18.4 percent of the assessment area population and 20.0 percent of the Bank's branch locations.

Alternative delivery systems such as ATMs and telephone banking are available to help compensate for any immediate lack of access to banking facilities. Most offices feature drive-up windows for added convenience. The Bank operates at least one ATM at each of its offices. In addition, the Bank is part of the SUM network and Intercept network, which provide Bank customers access at other institutions' ATMs at no additional charge.

Changes in Branch Locations

Changes made to the Bank's branch locations during the evaluation period improved the accessibility of the Bank's delivery systems. During 2011, the Bank opened a branch at 977 Boston Road in Springfield, which is a moderate-income census tract. During 2008, Hampden Bank opened a branch at 916 Shaker Road Longmeadow, MA, which is located in an upper-income census tract. The Bank did not close any offices during the evaluation period.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Hampden Bank's business hours and services do not vary in a way that inconveniences certain portions of the assessment area. Business hours vary slightly between office locations, but are convenient and competitive with other local institutions. Most offices offer drive-up service and all offices except the main office offer Saturday hours. The Bank offers a variety of deposit and loan products, and the products offered do not differ between the branches.

Community Development Services

Hampden Bank is a leader in providing community development services. These services have resulted in a better-educated community, increased awareness of community needs, and contributed to the overall revitalization of the communities served. The Bank offered services to low- and moderate-income residents within the assessment area and provided technical assistance to organizations with a community development purpose. The Bank's initiatives are responsive to the needs of the Greater Springfield area, particularly low- and moderate-income households and small businesses. The active involvement of the Bank's directors, officers, and employees in community development organizations is indicative of the Bank's commitment to serve the community development needs of the assessment area. Below are some examples of the Bank's involvement in community development services within its assessment area.

- The Bank has conducted or participated in workshops, educational programs, and seminars as a means of educating first-time homebuyers and of promoting the Bank's products and services. The Bank partnered with organizations including Springfield Partners for Community Action, the City of Springfield, Hap, Inc., Mass Housing, and Buy Springfield Now to provide approximately 19 First-Time Homebuyer educational courses in the assessment area during the evaluation period. Numerous potential First-Time Homebuyers were educated through these courses. In addition, a member of the Bank's senior management has participated with local media outlets to discuss the current housing trends.
- The Bank sponsored and Bank employees participated in numerous financial literacy training initiatives and small business seminars during the evaluation period. The Bank partnered with the Springfield School Department, Mercy Hospital, Junior Achievement, and STCC and offered 9 financial literacy courses that reached hundreds of participants. The curriculum used for these courses was the Credit for Life Program and Banking 101.
- To further enhance financial literacy the Bank developed "Hampden Bank's Financial Responsibility Program." This program enables high school students from thirteen area schools to learn about credit. Videos are used to simulate loan interviews so students can role-play the job of a lender, analyzing loan applications, reviewing credit reports, and calculating disposable income, among other real world simulations. The program consists of seven courses that teach financial responsibility and basic money management, and it has reached approximately 3,600 students.
- The Bank partners with the Greater Springfield Chamber of Commerce to mentor women preparing to enter the corporate workforce. The program assists women in their transition. During the evaluation period, three training sessions were offered.
- The Bank partners with YWCA Youth Build Springfield to provide an individual development account Matched Savings Program. This program provides financial literacy to the individuals in the program. In addition, the accounts established by the students assist them in preparing for future housing, transportation, or other costs by saving today. The Bank encourages regular periodic deposits by donating funds to the student's account based on deposits made by the student. No minimum deposit amount is required, enabling students with little personal funds to benefit from the Bank's donations. During the evaluation period approximately 69 students have graduated from this financial literacy program.
- The Bank partners with the Massachusetts State Treasurer's Office to bring the "Savings Makes Cents" school savings program to elementary schools within the Bank's assessment area. The Bank serves four schools within the assessment area. The Bank offers higher interest rates on the student accounts.

In addition, officers and employees of the Bank are involved in many local community development and nonprofit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, loan committee members, and volunteers. Examples of the benefiting organizations include:

- Affordable Housing Organizations: A Senior Vice President serves on the Board of Directors for Buy Springfield Now; a Vice President serves on the Board for North End Housing Initiative; a Senior Vice President serves as Vice President of the Board of Trustees for Homeowner Options for Massachusetts Elders; and, a Senior Vice President and a Vice President serve as Board Members for Rebuilding Together.
- Organizations Providing Community Services to Low- and Moderate-Income Residents: The President/CEO serves on the Board for the Association for Community Living; a Vice President serves on the Board for Big Brothers and Big Sisters; a Vice President serves on the Board for Springfield Partners; a Vice President serves on the Board for Early Education Center; a Vice President serves on the Board for Aditus; a Senior Vice President serves as Vice Chairman and as Finance Committee Member for Human Resources Unlimited; a Senior Vice President serves on the Board of Directors and the Finance Committee of Top Floor Learning; a Vice President serves as a member of the Board and of the Finance Committee of Child and Family Services; and the Senior Marketing Administrator serves as a Board Member for Dress For Success.
- Economic Development Organizations: An Executive Vice President serves as an Executive Board Member of the Scibelli Enterprise Center; a Board Member of the University of Massachusetts Family Business Center; and a Vice President serves as Treasurer for Credit For Life.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices was identified.

APPENDIX A

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. For the period reviewed, the Bank received a total of 60 HMDA reportable mortgage applications from racial minority groups within its assessment area, 38 of which were originated. Of the 27 applications the Bank received from Hispanic or Latino applicants, 15 were originated. Refer to the following table for further details.

MINORITY APPLICATION FLOW								
RACE	Bank 2009		2009 Aggregate Data		Bank 2010		Bank Total	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	4	0.9	33	0.2	2	0.6	6	0.8
<i>Asian</i>	3	0.7	294	2.1	4	1.2	7	0.9
<i>Black/ African American</i>	21	4.9	894	6.6	23	6.5	44	5.7
<i>Hawaiian/Pac Isl.</i>	3	0.7	24	0.2	2	0.6	5	0.6
<i>2 or more Minority</i>	1	0.2	6	0.0	1	0.3	2	0.3
<i>Joint Race (White/Minority)</i>	2	0.5	97	0.7	3	0.9	5	0.6
Total Minority	34	7.9	1,348	9.8	35	10.1	69	8.9
<i>White</i>	311	72.3	9,957	72.6	276	79.5	587	75.5
<i>Race Not Available</i>	85	19.8	2,412	17.6	36	10.4	121	15.6
Total	430	100.0	13,717	100.0	347	100.0	777	100.0
ETHNICITY								
<i>Hispanic or Latino</i>	24	5.6	1,082	7.9	27	7.7	51	6.6
<i>Not Hispanic or Latino</i>	302	70.2	10,116	73.8	274	79.0	576	74.1
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	5	1.2	156	1.1	2	0.6	7	0.9
<i>Ethnicity Not Available</i>	99	23.0	2,363	17.2	44	12.7	143	18.4
Total	430	100.0	13,717	100.0	347	100.0	777	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area and the 2009 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. The racial composition of the Bank's assessment area is 76.49 percent White; 11.68 percent Black or African American; 1.25 percent Asian; 0.27 American Indian/Alaskan Native; 0.03 percent Hawaiian/Other Pacific Islander; and 10.29 percent Other. The ethnic composition is 13.2 Hispanic or Latino; 86.8 Not Hispanic or Latino. The Bank's Minority Application flow is below the 2009 performance of the aggregate. However, it is noted there was a significant increase in 2010 for which aggregate data is not yet available.

APPENDIX B GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 19 Harrison Avenue, Springfield, MA 01103."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.